

Message Text

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ACTION AGR-20

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

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TO SECSTATE WASHDC 4857

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E.O.: 11652: N/A

TAGS: EAGR/FR

SUBJ: SECRETARY BUTZ DISCUSSIONS WITH AGMINISTER CHIRAC

SECSTATE PASS AGRICULTURE

BEGN SUMMARY: SECRETARY BUTZ MET TWICE WITH AGMINISTER CHIRAC ON NOVEMBER 16 FOR FRANK AND OPEN DISCUSSIONS ON A WIDE RANGE OF SUBJECTS. CHIRAC PRESENTED THE STOUTEST DEFENSE OF THE EC-CAP POLICIES, COUCHED PRIMARILY IN A POLITICAL CONTEXT, AND PUT THE FIRMEST OPPOSITION TO CHANGE OF ANY OF THE EC AGRICULTURAL MINISTERS WITH WHOM THE SECRETARY CONFERRED DURING HIS EUROPEAN TRIP. END SUMMARY.

1. SECRETARY BUTZ MET WITH MINISTER CHIRAC IN THE AFTERNOON OF NOVEMBER 16 AND AT A SMALL WORKING DINNER THAT EVENING. THEIR DIS-
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CUSSIONS AT THEIR FIRST MEETING BEGAN WITH AN EXCHANGE OF VIEWS ON COMMON PROBLEMS OF FOOD PRICES AND CONTROL OF INFLATION IN FRANCE AND IN THE UNITED STATES. HOWEVER, CHIRAC MOVED QUICKLY TO STATE HIS POSITION ON THE CAP AND THE MTN.

2. ACCORDING TO CHIRAC, THE CAP AND ITS SYSTEM OF VARIABLE LEVIES IS NOT A PROTECTIONISTIC POLICY AS THE AMERICANS MAINTAIN. IT HAS PROVEN ITS WORTH IN RECENT MONTHS AS AN EFFECTIVE MEANS TO STABILIZE MARKETS. (CHIRAC RETURNED SEVERAL TIMES TO THIS POINT DURING HIS DISCUSSIONS WITH THE SECRETARY.) HE CONCLUDED WITH A FIRM STATEMENT THAT FRANCE CANNOT ACCEPT CHANGES IN THE CAP IN THE COMING NEGOTIATIONS. IT WORKS AND THE EC CANNOT NEGOTIATE ON EITHER THE PRINCIPLES OR THE MECHANISMS OF THE CAP.

3. THE SECRETARY RESPONDED THAT HE WOULD LIKE TO CORRECT APPARENT MISUNDERSTANDINGS ABOUT U.S. VIEWS ON THE CAP. THE UNITED STATES HAS A STRONG AND CONTINUING INTEREST IN EC SOLIDARITY. WE RECOGNIZE, HE SAID, YOUR INTERESTS IN PRICE STABILITY AND THAT THE CAP REPRESENTS THE MOST COHESIVE ELEMENT ACHIEVED THUS FAR BY THE COMMUNITY. WE DO NOT WANT TO PUT THE CAP IN JEOPARDY. HOWEVER, WE WOULD LIKE TO EXPLORE COMMON AREAS OF INTEREST WHERE THE MANAGEMENT OF THE CAP COULD BE MODIFIED AND MOVE IN THE DIRECTION OF SOME LIBERALIZATION. THE SECRETARY THEN DESCRIBED THE DIRECTIONS OF U.S. POLICY TOWARD FULL PRODUCTION IN RESPONSE TO MARKET DEMANDS AND STATED THAT NEXT YEAR THERE WOULD BE NO GOVERNMENT PAYMENTS TO FARMERS FOR MAJOR CROPS SUCH AS GRAINS AND COTTON.

4. CHIRAC RETURNED TO HIS INSISTENCE THAT STABILIZATION, NOT LIBERALIZATION, IS THE PROBLEM. HE ILLUSTRATED HIS POINT BY STATING THAT THE BRITISH WERE NOW ABLE TO PURCHASE THEIR IMPORT NEEDS AT A LOWER PRICE THAN WORLD MARKET LEVELS BECAUSE THEY WERE NOW EC MEMBERS. CHIRAC DID ACKNOWLEDGE THAT THIS WAS NOT TRUE BEFORE THIS YEAR ALTHOUGH HE PUT FORTH THE FAMILIAR FRENCH VIEW THAT AGRICULTURAL SHORTAGES, NOT SURPLUSES, WERE THE MAIN PROBLEMS FOR THE FUTURE.

5. CHIRAC ALSO POINTED TO THE RELATIVE STABILITY OF EC SUPPORT PRICES FOR GRAIN IN RECENT YEARS AND THE ACTUAL DECLINE IN REAL PRICE TERMS. HE STATED THAT HE DID NOT WANT EVEN A ONE PERCENT INCREASE THIS YEAR, BUT THE GERMANS AND TO SOME EXTENT THE DUTCH WERE THE ONES WHO KEEP INSISTING ON HIGHER GRAIN PRICES. IN THE NEXT EC LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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NEGOTIATIONS ON PRICE LEVELS HIS POSITION WOULD BE ZERO INCREASE FOR GRAINS AND FROM 10 TO 15 PERCENT FOR LIVESTOCK PRODUCTS.

6. THE SECRETARY OBSERVED THAT HE ALSO VIEWED GREATER STABILITY OF WORLD MARKETS AS A DESIRABLE GOAL AND ASKED FOR CHIRAC'S VIEWS ON THIS QUESTION. CHIRAC RESPONDED THAT A SYSTEM OF WORLD STOCKS WAS NEEDED. IT WOULD BE NECESSARY FIRST TO STABILIZE PRICES AND ORGANIZE MARKETS. AN INTERNATIONAL SYSTEM OF STOCKS SHOULD BE ESTABLISHED UNDER INTERNATIONAL SUPERVISION AND CONTROL. THROUGH THIS APPROACH MARKETS COULD BE STABILIZED AND AID GIVEN TO LDC'S. SECRETARY BUTZ RAISED SEVERAL QUESTIONS ON THE WORKABILITY OF THIS APPROACH, ESPECIALLY A SYSTEM UNDER INTERNATIONAL CONTROL, IN WHICH LDC'S COULD OUTVOTE THE OTHER COUNTRIES.

7. IN DESCRIBING THE U.S. POSITION ON THE COMING NEGOTIATIONS, SECRETARY BUTZ NOTED THE SEVERAL LIBERALIZING MOVES WE HAD ALREADY TAKEN ON IMPORT CONTROLS ON AGRICULTURAL PRODUCTS. HE STATE THAT THE U.S. WOULD BE WILLING TO PUT ITS QUOTAS ON DAIRY PRODUCTS ON THE TABLE PROVIDED, HE SAID, U.S. DAIRY FARMERS WERE PROTECTED AGAINST SUBSIDIZED COMPETITION. HE RECOGNIZED THAT THESE CONTROLS WERE A CONTINUING SOURCES OF IRRITATION TO EUROPEANS. IN RESPONSE TO THE SECRETARY'S QUESTION ON WHAT CHIRAC COULD OFFER IN RETURN THE ANSWER WAS THAT, FRANKLY, FOR SOCIAL AND POLITICAL REASONS VERY LITTLE. IN PASSING HE DID COMPLAIN THAT IT DID FRANCE LITTLE GOOD IF THE U.S. WERE TO INCREASE ITS QUOTAS ON DAIRY PRODUCTS AND THEN KEEP OUT PRODUCTS BY MEANS OF SANITARY REGULATIONS SUCH AS THOSE FOR HOOF-AND-MOUTH DISEASE. HE ALSO COMPLAINED ABOUT OUR RESTRICTIONS ON COGNAC THAT RESULTED FROM THE "CHICKEN WAR" OF THE 1960'S. BUT HIS MAIN RESPONSE WAS COUCHED IN FRANCE'S INTEREST IN KEEPING A RURAL SOCIETY OF AT LEAST 10 PERCENT OF THE POPULATION (NOW 13 PERCENT) AND DEFENDED THAT POLICY BOTH IN TERMS OF OVERALL COSTS AND QUALITY OF LIFE. CHIRAC WAS NOT ESPECIALLY RESPONSIVE TO U.S. OBSERVATIONS THAT ONE WAY OF MAINTAINING A RURAL POPULATION WAS THROUGH DEVELOPING MORE INDUSTRY AND JOBS IN RURAL AREAS FOR FARMERS AND THEIR FAMILIES.

8. SECRETARY BUTZ STATED THAT THE U.S. POSITION WAS THAT IN THE COMING NEGOTIATIONS WE CANNOT NEGOTIATE ON AGRICULTURAL PRODUCTS ALONE. THE UNITED STATES HAS AN EFFICIENT AGRICULTURE THAT IS GEARED TO LARGE EXPORTS. WE ARE A LARGE IMPORTER, HE SAID, OF INDUSTRIAL GOODS, AND AGRICULTURAL PRODUCTS ARE ONE WAY OF PAYING LIMITED OFFICIAL USE
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FOR THESE RISING IMPORTS. CHIRAC SAID HE UNDERSTOOD THE U.S. POSITION BUT REPEATED HIS VIEW THAT EUROPE COULD NOT OPEN UP ITS MARKETS TO U.S. AGRICULTURAL PRODUCTION WHICH IS MORE EFFICIENT AND INDUSTRIALIZED. HOWEVER, CHIRAC DID SAY THAT HE WOULD BE WILLING TO ACCEPT LOWER "REAL" PRICES FOR GRAIN BY NOT RAISING EC SUPPORT PRICES, ALTHOUGH DID NOT KNOW IF THE GERMANS WOULD AGREE TO THIS. THE FRENCH GRAIN FARMERS, HE SAID, ARE BIG AND EFFICIENT AND CAN ABSORB INCREASING COSTS THROUGH THEIR HIGHER PRODUCTIVITY. HE ADDED THAT IT IS THE DAIRY AND LIVESTOCK PRODUCERS, NOT THE LARGE GRAIN AND SUGAR FARMERS, WHO PRESENT THE POLITICAL PROBLEMS FOR HIM.

9. COMMENT: SECRETARY BUTZ OBSERVED TO THE EMBASSY REPORTING OFFICER AFTER HIS MEETINGS WITH MINISTER CHIRAC THAT OF ALL HIS VISITS IN EUROPE ON THIS TRIP HE FOUND THE LEAST FLEXIBILITY IN THE POSITION OF THE FRENCH MINISTER. THERE WAS MORE EMPHASIS PUT ON POLITICAL FACTORS AND LESS ON ECONOMIC ONES THAN BY ANY OTHER AGRICULTURAL MINISTER. NEVERTHELESS, THE SECRETARY BELIEVES THAT HIS VISITS WITH CHIRAC HAD PROVED USEFUL IN ESTABLISHING A PERSONAL ACQUAINTANCESHIP AS A BASIS FOR FURTHER CONTACTS AND DISCUSSIONS. ON THE FRENCH SIDE MINISTER CHIRAC APPARENTLY HAD A STRONG DESIRE TO MEET AND BECOME ACQUAINTED WITH THE SECRETARY AND TO MAKE A VISIT

TO THE UNITED STATES AT THE EARLIEST POSSIBLE OPPORTUNITY. IT WAS ONLY THROUGH A DETERMINED EFFORT ON HIS PART THAT CHIRAC WAS ABLE TO KEEP BOTH OF HIS SCHEDULED APPOINTMENTS WITH THE SECRETARY. CHIRAC HAD THE ONEROUS TASK ON NOVEMBER 16, WHICH HAD BEEN ASSIGNED TO HIM BY PRIME MINISTER MESSNER WHILE CHIRAC WAS IN ROME ATTENDING THE FAO CONFERENCE, OF BRINGING TO CONCLUSION A 10 DAY-OLD STRIKE OF FRUIT AND VEGETABLE DEALERS WHO WERE PROTESTING IMPOSITION OF RETAIL MARGINS AS A MEANS OF CONTROLLING INFLATION. CHIRAC WAS OBLIGED TO MEET LONG HOURS THAT DAY WITH FRENCH GOVERNMENT OFFICIALS AND WITH REPRESENTATIVES OF PRODUCERS, WHOLESALERS AND RETAILERS IN MEETINGS THAT HAD RECEIVED WIDE ADVANCE PUBLICITY IN THE FRENCH PRESS.

10. THIS CABLE WAS NOT CLEARED BY SECRETARY BUTZ'S PARTY PRIOR TO ITS DEPARTURE.

RWIN

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